

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

13 AUGUST 2013

REVENUE BUDGET MONITORING 2013/2014

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Summary

This report details the revenue budget forecasts as at the end of Quarter 1 (April to June 2013) and highlights the major financial risks remaining in respect of the 2013/2014 General Fund revenue budget.

1. Budget and Policy Framework

- 1.1. It is the responsibility of Cabinet to ensure that income and expenditure remains within the budget approved by Council.

2. Background

- 2.1. Cabinet Members, in considering this report on 6 August, were requested to note the forecast position from the first round of revenue monitoring for 2012/2013 and any proposed management action.
- 2.2. At its meeting on 21 February 2013, the Council set a budget requirement of £348.511 million for 2013/2014, whilst Council Tax was increased by 1.99%, just below the cap imposed by Central Government.
- 2.3. This is the first quarter's monitoring report, summarising reports that have been considered by directorate management teams, based on returns submitted by individual budget managers. In preparing their returns, budget managers have been asked to take account of last years outturn, actual income and expenditure for the year to date and, most importantly, their knowledge of commitments and service requirements anticipated for the remainder of the financial year.
- 2.4. Table 1 below contains a summary of the Council's forecast position, with further detail at divisional level, prior to management action, included at Appendix 1.

- 2.5. The budgets shown against services differ from the totals agreed by the Council at budget setting in February, reflecting various virements and transfers, however the most significant of these is the transfer of the Independent Reviewing Officers from BSD, back to the Children and Adults directorate (circa £1.1 million).

3. Summary Revenue Budget Position 2013/2014

- 3.1 It can be seen from Table 1 that, including the management action reported by RCC, the forecast outturn for 2013/2014 is estimated at £4.6 million. Management action plans are being formulated and it is anticipated that this figure will come down as the year progresses.

Table 1: Quarter 1 Summary

Directorate	Budget 2013/2014 £000s	Forecast variance £000s	Proposed action £000s	Adjusted variance £000s
Children and Adult Services:				
- DSG and School Specific Spend	137,807	620	0	620
- General Fund services	119,770	3,600	0	3,600
Regeneration, Community and Culture	59,404	1,744	(1,195)	549
Business Support Department	9,309	207	0	207
Public Health	12,925	0	0	0
Interest & Financing	14,892	0	0	0
Levies	879	8	0	8
Better for Less	(912)	212	0	212
Budget Requirement	354,074	6,392	(1,195)	5,196
<i>Funded by:</i>				
Dedicated Schools Grant	(139,303)	(620)	0	(620)
Formula Grant	(105,430)	0	0	0
Council Tax	(87,565)	0	0	0
Public Health Grant	(13,170)	0	0	0
Specific Grants	(7,636)	0	0	0
Use of Reserves	(970)	0	0	0
Total Available Funding	(354,074)	(620)	0	(620)
Net Forecast Variance	0	5,772	(1,195)	4,576

4. Children and Adults Services

4.1 The directorate is currently forecasting a £3.6 million overspend against its general fund budgets, prior to agreeing management action. The principal reasons for this are:

- A predicted overspend of £2.2 million within the Children's Care division, partly as a result of pressure on the looked after children's placements budget. However, there has also been a need for supernumerary staffing to cover a high level of vacancies in the service and support the improvement programme following an inadequate rating in January 2013 for our safeguarding services for children. The latter is critical to ensure we are able to deliver safe statutory services for children and young people in Medway whilst addressing areas for improvement both for the immediate and longer terms against
- A £1.14 million overspend in relation to home to school transport for children with special needs. Whilst this does represent a predicted overspend, the context is that the budget setting exercise reduced the base budget, anticipating savings to be made through a reprocurement of routes. The forecast is approximately £400,000 more than last year, with the difference being due to increased transport costs. Expenditure on hired transport has increased from £23,000 per day to £25,500 per day, between May 2012 and June 2013 (almost 11%).

4.2 The directorate management team have agreed in principle management action to address and minimise the overspend in Children's Social Care, but they have not applied any financial targets at this stage:

- A reconciliation of all budget lines to ensure projections for placements of looked after children and staffing are as accurate as possible and not over-stated;
- Work with our commissioners, business team and operational staff to reduce the high number of children placed in independent fostering agencies, by developing our in-house foster care capacity and more effectively managing and leveraging the market;
- An urgent review of our adoption charges for POLA children in Medway in line with an almost doubling of charge by other local authorities from £13,000 to £27,000;
- undertaking a whole scale restructure of the Children's Social Care division (due for formal consultation in August 2013) in conjunction with a robust recruitment strategy, connected to our Improvement Plan to ensure more effective and efficient ways of working, improve demand management and reduce the reliance on agency staff in the medium to longer term.

5 Regeneration Community & Culture

5.1 The directorate is forecasting an overspend of £549,000 after revisiting some forecasts felt to be overly pessimistic by DMT and after further management action. The original forecasts from Divisional Service managers reported a forecast overspend of £1.744m with the principle reasons being:

- The Major Project service is forecasting a shortfall against its income target of £227,000 due to a reduced capital programme. Not recruiting to permanent vacancies and restrictions on consulting and temporary staff reduce the pressure to £173,000;
- Economic Development includes a pressure of £59,000 in respect of the Innovation Centre, principally due to less than budgeted broadband & rental income;
- Development Management is forecasting a shortfall of £214,000 in fee income due to the poor economic climate.
- Housing Solutions is expected to overspend by £159,000 as a result of higher than budgeted temporary accommodation, costs offset by savings on the prevention budgets.
- Events, Arts & Theatres are forecasting overspends of £96,000, £34,000 and £213,000 respectively mainly due to shortfalls in income to budget; and
- Directorate Support includes a pressure of £280,000 as required savings, in relation to prudential borrowing costs, had not been identified.

5.2 Consideration by the RCC DMT has identified the following revisions and management actions to reduce the deficit by £1.195m to £549,000:

5.2.1 Front Line Services:

- A saving of £100,000 in recognition that the service manager post in Capital Projects will not be filled although the salary and associated income target remain in the budget.
- A saving of £80,000 from Waste by revisiting forecasts effected by the new services funded from DCLG money and savings via improved ratios against landfill; and
- Increasing forecast income by £50,000 from Parking Services to bring it in line with outturn 2012/13.

5.2.2 This leaves a £19,000 forecast overspend still to be managed in Front Line Services.

5.3 Housing & Regeneration:

- Revise forecasts to assume £25,000 extra in planning fees income;
- £140,000 saving by assuming same level of court costs awarded and income from Public Enquiry costs as per 2012/13 outturn;
- £80,000 saving from rent support bond in Housing Solutions.

5.3.1 This leaves a £259,000 forecast overspend in Housing and Regeneration.

5.4 Leisure & Culture:

- Additional measures totalling £160,000 from theatres to be reflected in revised forecasts;
- Savings from vacant posts of £100,000 to offset vacancy factor;
- Reported revisions for Greenspaces saving £50,000;
- A reduction of £50,000 to be found against forecasts for Tourism budgets; and
- £80,000 to be found to manage the forecast overspend on Leisure and Sports and to bring it more in line with 2012/13 outturn.

5.4.1 This leaves a forecast overspend of £284,000 in Leisure & Culture.

5.5 Directorate Support:

- Prudential borrowing related savings identified within Highways £280,000.

5.5.1 This leaves a £13,000 underspend in Directorate Support.

6. Business Support

6.1 The department is forecasting an overspend of £418,000 against its net revenue budget of £8.4m. The principle reasons for this are as follows:

- Delays to the Better for Less (BfL) implementation programme are anticipated to create a pressure of £212,000.
- The ICT service is forecasting an overspend of £96,000 as a result of required support to the BfL programme.
- Some vacancy factors are currently not being achieved but this situation is likely to improve later in the financial year.

6.2 It should be noted that the transfer of facility management responsibilities to Medway Norse will be reflected in the next monitoring cycle. At this stage no variance has been forecast against the savings targets in place for the Agency Staff (£250k) and Facilities Management (£482k) category management workstreams.

7. Public Health

7.1. The Public Health budget is essentially funded from the new ring-fenced Public Health Grant. The Director fully expects to spend the funds she has available to deliver the joint Local Authority and Clinical Commissioning Group health agenda and is predicting a breakeven, although there is a risk that hitherto unidentified spend and commitments could materialise, as the year progresses.

8. Interest & Financing

8.1 Interest rates continue to be at an all-time low and the euro crisis and financial market nervousness continues. Against this backdrop in 2012/13 Interest and Finance returned a surplus against budget of some £1.068 million. In anticipation that markets remain static Council took the decision in February to utilise this surplus to offset budget pressures elsewhere and specifically to bring to an end the repayment of borrowing costs by highways that enabled additional highways spending of £480,000 pa. As a consequence 2013/14 will be challenging given that some of the higher rate deposits held in 2012/13 will drop out. At this stage a forecast of break-even is given.

9. Levies

9.1 Overall the levies heading is forecasting an overspend of just under £8,000. These levies are not directly 'controllable' by the Council albeit there is Member representation on some of the bodies. The individual forecast amounts for 2013/14 are:

- Coroners Service (via KCC) £475,000 (overspend £70,456)
- Kent & East Fisheries £32,505 (underspend £5,231)
- Environment Agency £55,916 (overspend £750)
- Flood and Coastal Defence £322,748 (underspend £58,317)

10. Dedicated Schools Grant

- 10.1 This grant is ring fenced to school services and any increase/decrease is matched by a compensating change in schools budgets/contingencies.

11. Council Tax Freeze Grant

- 11.1 Medway Council rejected the offer of a further freeze grant for 2013/14.

12. Specific Grants

- 12.1 This line includes the Education Services Grant (£3.6 million), the New Homes Bonus (£3.6 million) and some other smaller grants.

13. Planned Use of Reserves

- 13.1 Council agreed to use £970,000 from the reserves to fund one-off initiatives as follows:
- Children's Social Care Improvement Plan - £350,000;
 - Medway's Sporting Legacy - £245,000;
 - One-off bonus payment to staff - £300,000;
 - Transitional payment to Medway Youth Trust - £75,000.

14. Housing Revenue Account

- 14.1 The Housing Revenue Account is forecasting a surplus of £244,000. This is mainly due to staff savings from vacant posts of £98,000 and savings on repairs of £173,000.

15. Conclusions

- 15.1 The first quarter returns from budget managers forecast a potential overspend of £5.8 million for non-DSG services. However, the Regeneration, Community and Culture directorate management team has identified actions to reduce the Council's overall forecast to a potential overspend of around £4.6 million. The first quarter is generally the most pessimistic forecast of the year albeit there are elements of the Children and Adult forecast that would appear to be intractable and may require cross-directorate compensatory action. Directorate management teams are continuing to investigate identified variations and develop actions to mitigate overspends.

16. Financial, risk management and legal implications

- 16.1. These are set out in the body of the report.

17. Recommendations

- 17.1. Members are invited to comment on the forecast outturn position for 2013/2014 and any proposed management action to reduce the potential deficit.

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Background papers

Revenue budget approved by Council 21 February 2013

<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&MId=2580&Ver=4>

Monthly monitoring returns submitted by budget managers

Revenue Budget Monitoring report to Cabinet 6 August 2013

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GENERAL FUND REVENUE MONITORING - 2013/2014 Quarter 1

Assistant Director	Expenditure				Income				Net
	2013/2014 Budget £000's	Actual to date £000's	2013/2014 Forecast £000's	Forecast Variance £000's	2013/2014 Budget £000's	Actual to date £000's	2013/2014 Forecast £000's	Forecast Variance £000's	Forecast Variance £000's
Children and Adult Services									
Adult Social Care	89,022	20,425	88,281	(741)	(20,369)	(2,999)	(19,627)	742	0
Children's Care	30,711	6,521	32,951	2,240	(896)	(250)	(930)	(33)	2,207
Commissioning and Traded Services	6,899	2,218	6,983	85	(1,377)	(105)	(1,373)	4	89
Inclusion and School Improvement	42,853	7,792	43,953	1,101	(5,865)	(20)	(5,795)	70	1,171
Schools Retained Funding and Grants	7,657	4,512	7,834	176	(426)	(526)	(492)	(65)	111
Schools Delegated Funding	109,368	24,115	109,368	0	0	0	0	0	0
Transfer to DSG Reserve	0	0	643	643	0	0	0	0	643
	286,510	65,583	290,014	3,503	(28,933)	(3,900)	(28,216)	717	4,220
Regeneration, Community and Culture									
Front Line Services	51,071	20,991	51,711	640	(14,771)	(994)	(15,162)	(391)	249
Housing, Development and Transport	10,464	2,125	13,208	2,744	(2,945)	(435)	(5,185)	(2,240)	504
Leisure and Culture	22,665	3,832	22,999	333	(7,813)	(1,543)	(7,422)	391	724
Directorate Support	815	124	1,096	281	(82)	(13)	(94)	(13)	268
	85,016	27,072	89,013	3,997	(25,611)	(2,986)	(27,864)	(2,253)	1,744
Business Support Department									
Corporate Services	8,391	2,726	8,355	(36)	(10,130)	(2,787)	(10,006)	124	88
Financial Services	120,091	22,525	121,600	1,509	(110,346)	(20,772)	(111,970)	(1,624)	(115)
Democracy and Customer First	10,837	3,637	10,923	86	(8,784)	(3,436)	(8,856)	(72)	14
Communications, Performance and Partnerships	4,852	1,947	5,846	994	(5,061)	(1,557)	(5,922)	(861)	133
Organisational Services	12,420	3,374	11,852	(568)	(12,961)	(3,491)	(12,306)	655	87
	156,591	34,209	158,576	1,985	(147,282)	(32,043)	(149,060)	(1,778)	207
Director of Public Health	13,017	1,978	13,063	46	(92)	(64)	(138)	(46)	0
Interest and Financing	19,788	2,997	19,788	0	(4,896)	(158)	(4,896)	0	0
Levies	911	226	919	8	(32)	(10)	(32)	0	8
'Better for Less' Savings Target	(912)	0	(700)	212	0	0	0	0	212
Directorate Total	560,921	132,065	570,673	9,752	(206,846)	(39,161)	(210,206)	(3,360)	6,392